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RECIPROCITY AND THE MIDDLE WEST

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President McKinley, strong protectionist though he was, left as his last message to the nation an eloquent and prophetic appeal for reciprocity. This appeal still points the course of wisdom and patriotism in our commercial relations with other lands.

The movement for international peace is a noble cause, and so also is reciprocity. The last generation assiduously labored to erect tariff walls between the nations, and it now devolves on this and succeeding generations to tear them down. It will be a herculean task, this thing of tariff demolition, but it must be done. Some of these tariffs have had patriotic motives behind their construction, but now they largely stand for vested wrong, and the evil they work far outweighs the good. They are a burden on the industry of civilization, a curse to the world. They breed monopoly, they assess a penalty on honest labor and enterprise, they cause an artificial diversion of wealth from the many to the few, and they build up strong centralized governments with standing armies and a hankering for war. Remove them even partially and it will be like taking a heavy load from the backs of humanity. There are many arguments from a world point of view in favor of reciprocity, or the policy of lowering the tariff barriers by mutual agreements between nations. It is a noble cause and one that should enlist the co-operation of students and statesmen in every land.

But from our own point of view as a nation there are also many reasons why we should strive for reciprocity. A self-governing people ought not needlessly to tax themselves or erect artificial barriers to the extension of their own commerce, and yet these are the very things which our present tariff policy accomplishes.

The United States is becoming more and more a manufacturing nation. It is its destiny to export the finished product of manufacture and to retain at home its raw materials and food products for its own consumption. The exports of finished product are increasing year after year despite the tariff walls, but the pressure to find

a foreign vent for the surplus of this product is becoming more intensified and in time must force us as a nation to seek freer trade relations abroad instead of commercial isolation. Reciprocity is the wisest policy to accomplish this end, for it kills two birds with one stone—it not only reduces the burden of our taxation, but it also opens up foreign markets to our manufactured product.

The present tariff should be made to serve as a maximum tariff, and Congress should adopt a minimum tariff at least 50 per cent lower. The executive department of the government should be authorized to enter into trade bargains with other nations within the limits of these two tariffs, and to assist it there should be a non-partisan board of tariff experts, who could handle the tariff as a national business proposition, having only in view the interests of the whole people. Such a board could reach conclusions which would occasion the least disturbance to business, while actually accomplishing something. At all events, it takes no prophet to predict a political upheaval unless the next Congress makes some actual progress along the lines of reciprocity. The tariff has reached its fullest development, and from this time on the question will be whether it shall be revised in a general way or whether we shall gain concessions from other countries in return for special reductions made.

The tariff is not a sacred institution. As a tax it is one of the worst that can be levied. The only valid excuse for it has been the protection of American wages. On the principle of the greatest good to the greatest number, it has been assumed that we should encourage the development of industries by taxing ourselves sufficiently to enable the American made product to compete fairly with the "pauper" product of Europe. But this generous purpose has been prostituted into a means for raising government revenue and for diverting wealth from the many to the few without compensating returns. The tariff now produces nearly three hundred million dollars, or almost one-third of the national revenue, all paid by the people when they pay their daily living expenses. In addition to every dollar they thus pay they also pay an intermediate amount as a subsidy to the protected interests. We know that the importer adds to the original cost, transportation charges and his profits, the customs duty, together with an amount for interest and profit thereon. We also know that the prices paid for the protected

product are much higher in many instances than they would be were there foreign competition. We have seen some of the "protected" product sold on foreign soil in competition with the foreign product, and we must presume there was a profit in the transaction of selling it to the foreigner for less than it is sold to the people at home, who furnish the "protection." The difference between what the price of the protected article would be with foreign competition and what it is without that competition represents the indirect subsidy paid by the American people to the protected producer. When we come to realize that this subsidy exceeds many times the margin between labor costs at home and abroad, it makes us wonder how long the honest advocate of protection can be led to support something that looks more like piracy than it does protection.

There is no general disposition to be harsh or cruel to our protected industries, but they must realize that they are no longer infants but good healthy specimens of robust maturity. We take pride in the wonderful way they have waxed fat and great. But really it seems time they were being weaned—at least partially. In the making of reciprocity agreements we must be able to reduce schedules here and there, and in consideration of the protection they may actually need it would seem wise on the part of the protected interests not to oppose fair and reasonable concessions in our tariff. There is no justice in hampering the development of unprotected industries by excluding them from foreign markets in order to give the protected industries an inordinate subsidy.

In Indiana we are tariff payers rather than tariff beneficiaries. Only a small percentage of the people of the state have a vital interest in the tariff except to see it reduced. There is a sentimental belief in protection as something beneficial to industry in a general way, but there are certainly much less than five per cent of the people obtaining any part of their livelihood from the protected industries. The middle west is a part of the country that needs no protection. Its manufacturing industries are developing rapidly in the face of Eastern competition, and they have no fears of foreign competition. What they chiefly ask is the privilege of buying raw materials without having to pay the tariff fine. They also ask for the opening up of the principal foreign market in which they are interested, and that is the Canadian market.

The Canadian trade is more important than all the commerce
(464)

anticipated for the Panama Canal, and yet our tariff policy in respect to Canada could hardly be worse had it been dictated by a foreign enemy. We ought to lose no time in securing the best reciprocal arrangement we can with that country. We need its raw materials and we can send it the finished product of our factories. Our present policy is barring us out of Canada and building up the industries of that country. Many factories have been established there in late years to supply a trade that could just as well have been supplied by our own factories. This is an example in which the tariff serves to protect the foreign producer instead of the home producer, and examples can be given showing that our tariff has the same effect upon our commercial relations to still other countries.

As for the tariff on raw materials, why should this country be so anxious to exhaust its mineral wealth and denude its forests that it should bar these products from other countries? There are the items of coal and lumber, and I may as well also add pig iron, bar iron and kindred products. These are things needed by a host of industries, and if the nation believes in developing its industries, why should it handicap them by placing duties on such articles? Wisdom would seem to indicate that we should encourage the importation of as much of the raw material or semi-raw material of other countries as possible, thus conserving our own resources and serving to develop our manufacturing industries.

There is large room for reform in our tariff policy, and this reform can be best obtained through the adoption of reciprocity. It should be genuine reciprocity also, that is, reciprocity that actually accomplishes something. Thereby we can lessen the evil of tariff taxation, and at the same time protect both the industries that ask the chance to compete with the foreign producer and the industries that cannot compete without the tariff subsidy.